27 March 2006

James S. Dilday, Esq.
Grayer & Dilday
27 School St.
Boston, MA 02108

Dear Mr. Dilday:

Terri Pechner-James was wrongfully terminated. As a result she has lost remuneration.

Based on the facts I obtained, on my assumptions, and on my calculations I am of the opinion to a reasonable degree of economic certainty that Ms. Pechner-James has lost the following value of her remuneration.

TOTAL	**1,490,063**
PRESENT VALUE	**1,040,604**
BACK PAY	**99,687**
FRONT PAY	**940,917**

Sincerely,

Richard A. Siegel, Ph.D.
Economist

RAS/r

rate of national inflation. I also provided for an increase in real compensation of 1.1 percent annually.[2]

I ended my projection of Ms. Pechner-James' normal earnings at her age 65. From age 66 to the end of her normal life span, age 77.3[3] I made a projection of her normal retirement income, which I calculated to be 80 percent of her highest 3 years of income.

I adjusted Ms. Pechner-James's annual earnings by deducting 10 percent for her contribution to her retirement program. I also adjusted future earnings by a real increase of 1.1 percent each year to reflect normal increases in real earnings for all workers in the US.[4]

For normal fringe benefits I valued the City of Revere's health insurance contribution at 14 percent of normal earnings.[5]

ALTERNATIVE REMUNERATION

Ms. Pechner-James has not worked since she left her job with the City of Revere. She received retroactive retirement benefits on 30 June 2004 of $88,018. Her disability retirement income of $32,339 was approved on 4 June 2004.

For 2005 to the end of Ms. Pechner-James's life span I used the City of Revere Retirement System calculation of $32,339. This includes $1,678 in dependent allowances. I provided dependent allowances until Ms. Pechner-James's child, Katelyn, will reach age 18 in 2020.

CALCULATIONS

My calculation of Ms. Pechner-James's lost remuneration appears in Table 1 overleaf.

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[2] US worker total compensation increased by a real average of 1.1 percent annually for the period 1995 to 2005. Real compensation is actual compensation with the effect of general price inflation removed.

[3] 2001 Life Table, US Public Health Service.

[4] US real, hourly wages increased by 1.4 percent annually for the period 1995 to 2003. See US Bureau of Labor Statistics, *Average hours and earnings of production or nonsupervisory workers .....*

[5] See Table 618. Employer Costs for Employee Compensation Per Hour Worked: 2002. *Statistical Abstract of the United States: 2003.* Union Members scale.

TABLE 1

ANALYSIS OF LOST REMUNERATION
TERRI PECHNER-JAMES

YEAR	AGE	SIGNIFICANT EVENTS	NORMAL EARNINGS	ALTERNATIVE EARNINGS	LOST EARNINGS	LOST BENEFITS	LOST REMUNERATION
2001	27	Left employment. 13 March 2001.	31,152	0	31,152	4,361	35,513
2002	28		39,816	0	39,816	5,574	45,390
2003	29		41,130	0	41,130	5,758	46,888
2004	30	Begin retirement income.	42,364	99,188	(56,824)	5,931	(50,893)
2005	31		44,270	32,339	11,931	6,198	18,129
2006	32		44,713	32,339	12,374	6,260	18,634
2007	33		45,160	32,339	12,821	6,322	19,144
2008	34		45,612	32,339	13,273	6,386	19,658
2009	35		46,068	32,339	13,729	6,449	20,178
2010	36		46,529	32,339	14,190	6,514	20,704
2011	37		46,994	32,339	14,655	6,579	21,234
2012	38		47,464	32,339	15,125	6,645	21,770
2013	39		47,938	32,339	15,599	6,711	22,311
2014	40		48,418	32,339	16,078	6,778	22,857
2015	41		48,902	32,339	16,563	6,846	23,409
2016	42		49,391	32,339	17,052	6,915	23,967
2017	43		49,885	32,339	17,546	6,984	24,530
2018	44		50,384	32,339	18,045	7,054	25,098
2019	45		50,888	32,339	18,549	7,124	25,673
2020	46		51,396	31,500	19,896	7,196	27,092
2021	47		51,910	30,061	21,849	7,267	29,117
2022	48		52,430	30,061	22,369	7,340	29,709
2023	49		52,954	30,061	22,893	7,414	30,306
2024	50		53,483	30,061	23,422	7,488	30,910
2025	51		54,018	30,061	23,957	7,563	31,520
2026	52		54,558	30,061	24,497	7,639	32,136
2027	53		55,104	30,061	25,043	7,715	32,757
2028	54		55,655	30,061	25,594	7,792	33,386
2029	55		56,212	30,061	26,151	7,870	34,020
2030	56		56,774	30,061	26,713	7,948	34,661
2031	57		57,341	30,061	27,280	8,028	35,308
2032	58		57,915	30,061	27,854	8,108	35,962
2033	59		58,494	30,061	28,433	8,189	36,622
2034	60		59,079	30,061	29,018	8,271	37,289
2035	61		59,670	30,061	29,609	8,354	37,962
2036	62		60,266	30,061	30,205	8,437	38,643
2037	63		60,869	30,061	30,808	8,522	39,330
2038	64		61,478	30,061	31,417	8,607	40,024
2039	65		62,092	30,061	32,031	8,693	40,724
2040	66	Normal retirement.	56,910	30,061	26,849	7,967	34,816
2041	67		54,102	30,061	24,041	7,574	31,615
2042	68		54,102	30,061	24,041	7,574	31,615
2043	69		54,102	30,061	24,041	7,574	31,615
2044	70		54,102	30,061	24,041	7,574	31,615
2045	71		54,102	30,061	24,041	7,574	31,615
2046	72		54,102	30,061	24,041	7,574	31,615
2047	73		54,102	30,061	24,041	7,574	31,615
2048	74		54,102	30,061	24,041	7,574	31,615
2049	75		54,102	30,061	24,041	7,574	31,615
2050	76		54,102	30,061	24,041	7,574	31,615
2051	77		54,102	30,061	24,041	7,574	31,615
2052	78	Normal end of life, age 77.3.	27,051	15,031	12,021	3,787	15,808
TOTAL			2,677,867	1,562,694	1,115,183	374,900	1,490,083
PRESENT VALUE			1,914,313	1,141,713	772,600	268,004	1,040,604
BACK PAY							99,687
FRONT PAY							940,917

TABLE PREPARED BY APPLIED ECONOMICS, INC.
ZE

Table 1 contains several columns. The leftmost set forth the time period of my analysis and Ms. Pechner-James's age. She was 27 years of age when she was terminated from employment. She was born on 29 April 1973.

The column labeled "Normal Earnings" contains my projection of the wage portion of Ms. Pechner-James's normal remuneration. She was terminated on 13 March 2001. My projection of her normal earnings includes a 10 percent reduction for her contribution to her retirement program and a 1.1 percent increase to adjust for normal increases in real earnings. I also assumed Ms. Pechner-James's income would adjust to compensate for inflation until 2005. I assumed Ms. Pechner-James would normally have received 80 percent of her income as a pension.

The column labeled "Alternative Earnings" is based on Ms. Pechner-James's subsequent award of a disability pension.

The column labeled "Lost Earnings" is the difference between the two prior columns.

The column labeled "Lost Benefits" contains my projection of the fringe benefit component of Ms. Pechner-James's remuneration. It is 14 percent of normal earnings for all years.

The column labeled "Lost Remuneration" is the sum of the two prior columns. It is a projection of the remuneration Ms. Pechner-James may not receive.

PRESENT VALUE

The object of a calculation of lost remuneration is to make the plaintiff whole. To meet this criterion I made a calculation of the amount of money that, if it became available at present, and if it was invested, could duplicate Ms. Pechner-James's lost remuneration. This is present value.

A present value calculation requires decisions on the rate of return of investments Ms. Pechner-James may receive, and a date to begin the calculation. I used a 1.6 real rate of interest for my calculation. 1.6 percent is the average, real rate of interest on US Treasury 1-year notes for the period 1995 to 2005.[6] I used the date 1 January 2006 to discount future values to the present.[7]

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[6] A real rate of interest is the recorded rate with the effect of inflation removed. Thus, if the actual rate of interest on a US Treasury 1-year note is 5 percent and inflation is 3 percent, the real rate of interest on that note is 2 percent.
[7] Mass Supreme Judicial Court, *Griffin v General Motors*, 1980.

Draft

ANALYSIS OF LOST REMUNERATION
TERRI PECHNER-JAMES

Submitted to:

James S. Dilday, Esq.
Grayer & Dilday
27 School St.
Boston, MA 02108

27 March 2006

James S. Dilday, Esq.
Grayer & Dilday
27 School St.
Boston, MA 02108

Dear Mr. Dilday:

Sonia Fernandez was wrongfully terminated. As a result she has lost remuneration.

Based on the facts I obtained, on my assumptions, and on my calculations I am of the opinion Ms. Fernandez has lost the following value of her remuneration.

TOTAL	**1,351,755**
PRESENT VALUE	**1,009,227**
BACK PAY	**96,496**
FRONT PAY	**912,731**

Sincerely,

Richard A. Siegel, Ph.D.
Economist

RAS/r

ANALYSIS OF LOST REMUNERATION

SONIA FERNANDEZ

LOST REMUNERATION

A person's remuneration is the value of the earnings and benefits he or she may expect to receive from work, given their education, training, work skills, knowledge, and effort. Lost remuneration is the value of remuneration a person may not receive as the result of an incident, such as an accident or a termination from work. Lost remuneration is a "net" concept because it deducts from **normal** remuneration a person's **alternative** remuneration, or remuneration from alternative work, he or she may expect to receive after the precipitating incident.

Though the concept of lost remuneration is easy to define, its measurement can be complicated. Questions arise as to the proper assumptions about future changes in remuneration, whether or not to deduct for taxes, and other issues.

SONIA FERNANDEZ'S LOST REMUNERATION[1]

Sonia Fernandez worked as a police officer for the City of Revere. She was terminated from employment on 13 March 2001 and has qualified for a disability pension.

NORMAL REMUNERATION

Ms. Fernandez was born on 27 October 1965. She joined the City of Revere Police Department in January 1994 and worked as a police officer.

Ms. Fernandez's annual income for years preceding her termination was as follows:

1998	51,377
1999	51,591
2000	49,166

I made a projection of Ms. Fernandez's normal income. I used her average 1998 – 2000 annual income, $50,711 as a base of my projection. For the period 2001 t0 2005 I assumed her income as a City of Revere police officer

[1] I obtained information on Sonia Fernandez's personal characteristics and income from her tax records and from Revere Retirement System records.

would have increased to match the rate of national inflation. I also provided for an increase in real compensation of 1.1 percent annually.[2]

I ended my projection of her normal earnings at her age 65. From age 66 to the end of her normal life span, age 78,[3] I made a projection of her normal retirement income, which I calculated to be 80 percent of her highest 3 years of income.

I adjusted Ms. Fernandez's annual earnings by deducting 10 percent for her contribution to her retirement program. I also adjusted future earnings by a real increase of 1.1 percent each year to reflect normal increases in real earnings for all workers in the US.[4]

For normal fringe benefits I valued the City of Revere's health insurance contribution at 14 percent of normal earnings.[5]

ALTERNATIVE REMUNERATION

For my projection of Ms. Fernandez's alternative remuneration I used her income tax return figures. These recorded the following:

2001	24,205
2002	38,192
2003	50,544
2004	50,544 (assumed same as 2003)

For 2005 to the end of Ms. Fernandez's life span I used the City of Revere Retirement System calculation of $35,448. I added $611 until Ms. Fernandez's child, Angel Bobe, will reach age 18 in 2008.

CALCULATIONS

My calculation of Ms. Fernandez's lost remuneration appears in Table 1 overleaf.

[2] US worker total compensation increased by a real average of 1.1 percent for the period 1995 to 2005. Real compensation is actual compensation with the effect of general price inflation removed.
[3] 2001 Life Table, US Public Health Service.
[4] US real, hourly wages increased by 1.4 percent annually for the period 1995 to 2003. See US Bureau of Labor Statistics, *Average hours and earnings of production or nonsupervisory workers .....*
[5] See Table 618. Employer Costs for Employee Compensation Per Hour Worked: 2002. *Statistical Abstract of the United States: 2003.* Union Members scale.

TABLE 1

ANALYSIS OF LOST REMUNERATION
SONIA FERNANDEZ

YEAR	AGE	SIGNIFICANT EVENTS	NORMAL EARNINGS	ALTERNATIVE EARNINGS	LOST EARNINGS	LOST BENEFITS	LOST REMUNERATION
2001	35	Left employment. 19 March 2001.	45,640	24,205	21,435	6,390	27.824
2002	36		46,827	24,205	22,622	6,556	29,177
2003	37		48,372	50,544	(2,172)	6,772	4,600
2004	38		49,623	50,544	(721)	6,975	6,254
2005	39		52,065	36,561	15,504	7,289	22,793
2006	40		52,586	36,561	16,025	7,362	23,387
2007	41		53,112	36,561	16,551	7,436	23,986
2008	42		53,643	36,010	17,632	7,510	25,142
2009	43		54,179	35,986	18.193	7,585	25,778
2010	44		54,721	35,986	18.735	7,661	26,396
2011	45		55,268	35,986	19,282	7,738	27,020
2012	46		55,821	35,986	19.835	7,815	27,650
2013	47		56.379	35,986	20,393	7,893	28.286
2014	48		56,943	35,986	20,957	7,972	28.929
2015	49		57.512	35,986	21,526	8,052	29,578
2016	50		58,087	35,986	22,101	8.132	30,233
2017	51		58,668	35.986	22,682	8.214	30,896
2018	52		59,255	35.986	23,269	8.296	31,565
2019	53		59,847	35,986	23,861	8.379	32,240
2020	54		60,446	35,986	24.460	8.462	32,922
2021	55		61,050	35,986	25,064	8,547	33,611
2022	56		61,661	35,986	25,675	8,633	34,307
2023	57		62,277	35,986	26,291	8,719	35,010
2024	58		62,900	35,986	26,914	8,806	35,720
2025	59		63,529	35,986	27,543	8,894	36,437
2026	60		64,164	35,986	28,178	8,983	37,162
2027	61		64.806	35,986	28,820	9,073	37,893
2028	62		65.454	35,986	29,468	9.164	38,632
2029	63		66,109	35,986	30,123	9.256	39,378
2030	64		66,770	35,986	30,784	9,348	40,132
2031	65	Normally retire, end of year.	67,438	35,986	31.452	9,441	40,893
2032	66		59,944	35,986	23,958	9,441	33,399
2033	67		59,944	35,986	23,958	9,441	33,399
2034	68		59,944	35,986	23,958	9,441	33,399
2035	69		59,944	35,986	23,958	9,441	33,399
2036	70		59,944	35,986	23,958	9,441	33,399
2037	71		59,944	35.986	23,958	9,441	33,399
2038	72		59,944	35.986	23,958	9,441	33,399
2039	73		59,944	35,986	23,958	9,441	33,399
2040	74		59,944	35,986	23,958	9,441	33,399
2041	75		59,944	35.986	23,958	9,441	33,399
2042	76		59.944	35,986	23,958	9,441	33,399
2043	77		59,944	35,986	23,958	9.441	33,399
2044	78	Normal end of life, age 78.	46,705	29,239	16,466	7,671	27,137
		TOTAL	2,563,383	1,583,940	979,443	372,312	1,351,755
		PRESENT VALUE	1,846,611	1,221,856	725,256	280,971	1,009,227
		BACK PAY					96,496
		FRONT PAY					912,731

TABLE PREPARED BY APPLIED ECONOMICS, INC.
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Table 1 contains several columns. The leftmost set forth the time period of my analysis and Ms. Fernandez's age. She was 35 years of age when she was terminated from employment. She was born on 22 October 1965.

The column labeled "Normal Earnings" contains my projection of the wage portion of Ms. Fernandez's normal remuneration. She was terminated on 13 March 2001. My projection of her normal earnings includes a 10 percent reduction for her contribution to her retirement program and a 1.1 percent increase to adjust for normal increases in real earnings. I also assumed Ms. Fernandez's income would adjust to compensate for inflation until 2005. I assumed Ms. Fernandez would normally have received 80 percent of her income as a pension.

The column labeled "Alternative Earnings" is based on Ms. Fernandez's 2001 to 2004 earnings and her subsequent award of a disability pension.

The column labeled "Lost Earnings" is the difference between the two prior columns.

The column labeled "Lost Benefits" contains my projection of the fringe benefit component of Ms. Fernandez's remuneration. It is 14 percent of normal earnings for all years beyond 2004.

The column labeled "Lost Remuneration" is the sum of the two prior columns. It is a projection of the remuneration Ms. Fernandez may not receive.

PRESENT VALUE

The object of a calculation of lost remuneration is to make the plaintiff whole. To meet this criterion I made a calculation of the amount of money that, if it became available at present, and if it was invested, could duplicate Ms. Fernandez's lost remuneration. This is present value.

A present value calculation requires decisions on the rate of return of investments Ms. Fernandez may receive, and a date to begin the calculation. I used a 1.6 real rate of interest for my calculation. 1.6 percent is the average, real rate of interest on US Treasury 1-year notes for the period 1995 to 2005.[6] I used the date 1 January 2006 to discount future values to the present.[7]

[6] A real rate of interest is the recorded rate with the effect of inflation removed. Thus, if the actual rate of interest on a US Treasury 1-year note is 5 percent and inflation is 3 percent, the real rate of interest on that note is 2 percent.
[7] Mass Supreme Judicial Court, *Griffin v General Motors*, 1980.

A purchase of 1-year Treasury notes would provide Ms. Fernandez with the safest investment possible and so insure the appearance of money in the future when she could normally have expected it. US Treasury notes have an assured repayment.

OPINION

A column sum and a column present value appear at the foot of each column in Table 1. The sum is the total of all column entries. The present value is an amount of money that, if invested, will produce the column entries each year.

My opinion of Ms. Fernandez's lost remuneration appears at the foot of the lost remuneration column, a total of $1,351,755 and the present value of $1,009,227. Ms. Fernandez's back pay loss is $96,496. Her front pay loss is $912,731.

CONCLUSION

This concludes my report. My Statement of Qualifications follows as an appendix.

APPLIED ECONOMICS, INC
ONE WESTINGHOUSE PLAZA
BOSTON, MA 02136
617-333-6680
617-333-6675 FAX

FAX

DATE: 3-27-06

NO. OF PAGES, INCLUDING COVER

TO: James Delay, Esq

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COMMENTS:

Please fax the book.

Draft

ANALYSIS OF LOST REMUNERATION

SONIA FERNANDEZ

Submitted to:

James S. Dilday, Esq.
Grayer & Dilday
27 School St.
Boston, MA 02108